

# *Annual Financial Statements*

for

***MOOKGOPHONG LOCAL MUNICIPALITY***

*for the year ended 30 June 2016*

AFS rounding:

R (i.e. only cents)
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**MOOKGOPHONG LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**General information**

**Legal form of entity** South African category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no.117 of 1998)

**Nature of business and principal activities** Mookgophong Local Municipality is a local municipality performing functions as set out in the Constitution (Act no.105 of 1996)

**Members of the Council**

<b>Mayor</b>	N S Monyamane
<b>Chief Whip</b>	R M Kekana
<b>Member</b>	S A Magowa
<b>Member</b>	K S Lamola
<b>Member</b>	L W Kola
<b>Member</b>	M S Langa
<b>Member</b>	C N van der Merwe
<b>Member</b>	H P Louw
<b>Member</b>	S P Mafuna
<b>Member</b>	J H Kleynhans

**Municipal Manager**

O.P. Sebola

**Chief Financial Officer**

D. Eksteen

**Grading of Local Authority**

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**Auditors**

Auditor-General

**Bankers**

Standard Bank

**Physical address:**

Nelson Mandela Drive  
Mookgophong  
0560

**Postal address:**

Private Bag X340  
Mookgophong  
0560

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**Abbreviations**

GRAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

**MOOKGOPHONG LOCAL MUNICIPALITY**  
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**Accounting Officer's Responsibilities and Approval**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

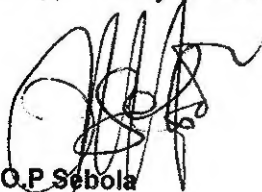
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or surplus in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the management are primarily responsible for the financial affairs of the municipality, they are supported by the Independent consultants where necessary.

The financial statements set out on pages 4 to 65, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed by:

  
Mr O.P. Sebola  
Accounting Officer

**MOOKGOPHONG LOCAL MUNICIPALITY**  
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for the year ended 30 June 2016

**Accounting Officer's Report**

The accounting officer submits his report for the year ended 30 June 2016.

**1. Review of activities**

**Main business and operations**

The municipality is engaged in Mookgophong and Roedtan/Thusang and is a local municipality performing functions as set out in the constitution (act no.105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

**2. Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

**4. Accounting Officer's interest in contracts**

The accounting officer does not have an interest in any of the contracts entered into during the financial year ended 30 June 2016.

**5. Accounting policies**

The financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

**6. Non-current assets**

No major changes in the nature or the policy relating to the use of non-current assets of the municipality occurred during the financial year.

**7. Bankers**

Accounts were held with the Standard bank of South Africa for the year ended 30 June 2016.

**8. Auditors**

Auditor General of South Africa will continue in office for the next financial period.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
as at 30 June 2016

**STATEMENT OF FINANCIAL POSITION**

	Note	2016 R	Restated 2015 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	71,321	823,650
Receivables from exchange transactions	2	10,277,900	6,446,235
Receivables from non-exchange transactions	3	57,038,039	47,544,739
Inventories	4	1,227,444	938,549
Investments	5	-	-
Construction contracts	6	-	-
VAT receivable	7	7,480,413	8,031,967
<b>Non-current assets</b>			
Intangible assets	8	195,334	195,334
Investment property	9	10,712,700	8,544,200
Heritage assets	10	180,521	180,521
Property, plant and equipment	11	382,276,848	378,008,368
<b>Total assets</b>		<b>469,460,519</b>	<b>450,713,563</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Cashbook overdrawn	2	600,342	-
Trade and other payables from exchange transactions	12	127,364,689	79,254,664
Consumer deposits	13	3,517,488	3,563,339
VAT payable	7	-	-
Current employee benefit obligations	14	7,329,024	6,474,344
Current portion of unspent conditional grants and receipts	15	3,232,732	10,303,256
Current portion of finance lease liability	16	2,969,903	2,997,531
<b>Non-current liabilities</b>			
Non-current finance lease liability	16	2,637,669	4,768,017
Non-current provisions	17	9,046,325	8,306,837
Non-current employee benefit obligations	18	21,055,854	20,891,365
<b>Total liabilities</b>		<b>177,754,027</b>	<b>136,559,353</b>
<b>Net assets</b>		<b>291,706,493</b>	<b>314,154,210</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		291,706,429	314,154,210
<b>Total net assets</b>		<b>291,706,429</b>	<b>314,154,210</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
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for the year ending 30 June 2016

**STATEMENT OF FINANCIAL PERFORMANCE**

	Note	2016 R	Restated 2015 R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	63,870,353	44,913,740
Rental of facilities and equipment	20	336,280	319,404
Interest earned - external investments	21	7,112	129,339
Interest earned - outstanding receivables	22	8,542,655	6,087,697
Income from agency services	23	3,687,712	3,621,690
Other revenue	24	1,195,527	778,727
<b>Total revenue from exchange transactions</b>		<b>77,639,640</b>	<b>55,850,597</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	22,528,808	25,201,681
Fines	26	11,503	928,250
<b>Transfer revenue</b>			
Government grants and subsidies : Operating	27	45,233,942	37,731,000
Government grants and subsidies : Capital	27	19,585,224	35,562,416
Public contributions and donations	28	43,000	7,350,259
<b>Total revenue from non-exchange transactions</b>		<b>87,402,476</b>	<b>106,773,606</b>
<b>Total revenue</b>		<b>165,042,115</b>	<b>162,624,203</b>
<b>EXPENDITURE</b>			
Employee related costs	29	57,541,006	51,033,363
Remuneration of councillors	30	3,438,870	3,322,572
Debt impairment	31	13,649,485	15,945,428
Depreciation and asset impairment	32	13,224,052	18,971,272
Finance costs	33	9,579,544	7,212,863
Bulk purchases	34	39,440,807	36,996,862
Materials	35	15,440,620	10,327,915
Contracted services	36	14,543,836	9,771,281
Other Expenditure	37	22,325,500	23,798,542
Grants and subsidies paid	38	-	-
<b>Total expenditure</b>		<b>189,183,719</b>	<b>177,380,098</b>
<b>Operating deficit</b>		<b>(24,141,603)</b>	<b>(14,755,895)</b>
Gain / (loss) on sale of assets	39	1,038,259	(1,872,680)
Fair value adjustments	40	2,168,500	2,238,693
<b>Surplus / (deficit) for the period</b>		<b>(20,934,845)</b>	<b>(14,389,882)</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
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as at 30 June 2016

**STATEMENT OF CHANGES IN NET ASSETS**

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance at 1 July 2014		188,332,770	188,332,770
Changes in accounting policy	42	-	-
Restated balance		<u>188,332,770</u>	<u>188,332,770</u>
<b>Correction of Error Prior Year Adjustments</b>	<b>43</b>		
Increase in VAT Receivable		7,223,107	7,223,107
Increase in PPE		133,261,997	133,261,997
Restated balance as at 1 July 2014		<u>328,817,874</u>	<u>328,817,874</u>
Nett Deficit for the year		(14,060,672)	(14,060,672)
Correction of Error	43	(2,115,928)	(2,115,928)
Adjusted Nett Deficit as at 30 June 2015		<u>(16,176,600)</u>	<u>(16,176,600)</u>
Balance at 30 June 2015		<u>312,641,274</u>	<u>312,641,274</u>
Surplus / (deficit) for the year		(20,934,845)	(20,934,845)
Balance at 30 June 2016		<u><u>291,706,429</u></u>	<u><u>291,706,429</u></u>



**MOOKGOPHONG LOCAL MUNICIPALITY**  
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as at 30 June 2016

**CASH FLOW STATEMENT**

	Note	2016 R	Restated 2015 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and others		131,459,845	145,139,245
Cash paid to suppliers and employees		(112,730,396)	(111,544,246)
<b>Cash generated from / (utilised in) operations</b>	41	<b>18,729,450</b>	<b>33,594,999</b>
<b>Net cash flows from operating activities</b>	41	<b>18,729,450</b>	<b>33,594,999</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(17,924,144)	(40,292,315)
Proceeds / (loss) on disposal of property, plant and equipment		-	-
<b>Net cash flows from investing activities</b>		<b>(17,924,144)</b>	<b>(40,292,315)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds / (Repayment) of finance lease liability		(2,157,976)	6,505,604
<b>Net cash flows from financing activities</b>		<b>(2,157,976)</b>	<b>6,505,604</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,352,670)</b>	<b>(191,712)</b>
Net cash and cash equivalents at beginning of period		823,650	1,015,362
<b>Net cash and cash equivalents at end of period</b>		<b>(529,021)</b>	<b>823,650</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS : STATEMENT OF FINANCIAL POSITION**

	Approved Budget R	Adjustments R	Final Budget R	Actual R	Difference R
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	128,000	-	128,000	71,321	(56,679)
Receivables from exchange transactions	47,349,000	-	47,349,000	10,277,900	(37,071,100)
Receivables from non-exchange transactions	778,000	-	778,000	57,038,039	56,260,039
Inventories	1,540,000	-	1,540,000	1,227,444	(312,556)
Investments	-	-	-	-	-
Construction contracts	-	-	-	-	-
VAT receivable	-	-	-	7,480,413	7,480,413
<b>Non-current assets</b>					
Intangible assets	-	-	-	185,334	185,334
Investment property	11,564,000	-	11,564,000	10,712,700	(851,300)
Heritage assets	-	-	-	180,521	180,521
Property, plant and equipment	162,819,000	-	162,819,000	382,276,848	219,457,848
<b>Total assets</b>	<b>224,178,000</b>	<b>-</b>	<b>224,178,000</b>	<b>469,460,519</b>	<b>245,282,519</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables from exchange transactions	31,892,000	-	31,892,000	127,364,689	95,472,689
Consumer deposits	4,030,000	-	4,030,000	3,517,488	(512,512)
VAT payable	-	-	-	-	-
Current employee benefit obligations	4,598,000	-	4,598,000	7,329,024	2,731,024
Current portion of unspent conditional grants and receipts	-	-	-	3,232,732	3,232,732
Current portion of finance lease liability	-	-	-	2,969,903	2,969,903
<b>Non-current liabilities</b>					
Non-current finance lease liability	-	-	-	2,637,669	2,637,669
Non-current provisions	15,594,000	-	15,594,000	9,046,325	(6,547,675)
Non - current employee benefit obligations	-	-	-	21,055,854	21,055,854
<b>Total liabilities</b>	<b>56,114,000</b>	<b>-</b>	<b>56,114,000</b>	<b>177,153,685</b>	<b>121,039,685</b>
<b>Net assets</b>	<b>168,064,000</b>	<b>-</b>	<b>168,064,000</b>	<b>292,306,835</b>	<b>124,242,835</b>
<b>NET ASSETS</b>					
Accumulated surplus / (deficit)	168,064,000	-	168,064,000	291,706,429	123,642,429
<b>Total net assets</b>	<b>168,064,000</b>	<b>-</b>	<b>168,064,000</b>	<b>291,706,429</b>	<b>123,642,429</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS : STATEMENT OF FINANCIAL PERFORMANCE**

	Approved Budget R	Adjustments R	Final Budget R	Actual R	Difference R
<b>REVENUE</b>					
Revenue from exchange transactions					
Service charges	80,116,000	(9,627,116)	70,488,884	63,870,353	(6,618,531)
Rental of facilities and equipment	100,000	200,000	363,000	336,280	(26,720)
Interest earned - external investments	40,000	-	40,000	7,112	(32,888)
Interest earned - outstanding receivables	6,500,000	1,724,137	8,224,137	8,542,655	318,518
Income from agency services	5,070,711	1,116,450	6,187,161	3,687,712	(2,499,449)
Other revenue	345,300	(75,932)	269,368	1,195,527	926,159
<b>Total revenue from exchange transactions</b>	<b>92,236,011</b>	<b>(6,662,461)</b>	<b>85,572,550</b>	<b>77,639,640</b>	<b>(7,932,910)</b>
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	24,166,000	-	24,166,000	22,528,808	(1,637,192)
Fines	73,500	45,500	119,000	11,503	(107,497)
Transfer revenue					
Government grants and subsidies : Operating	46,248,000	-	46,248,000	45,233,842	(1,014,058)
Government grants and subsidies : Capital	16,156,000	-	16,156,000	19,585,224	3,429,224
Public contributions and donations	-	-	-	43,000	43,000
<b>Total revenue from non-exchange transactions</b>	<b>86,643,500</b>	<b>45,500</b>	<b>86,689,000</b>	<b>87,402,476</b>	<b>713,476</b>
<b>Total revenue</b>	<b>178,879,511</b>	<b>(6,616,961)</b>	<b>172,261,550</b>	<b>165,042,115</b>	<b>(7,219,435)</b>
<b>EXPENDITURE</b>					
Employee related costs	56,669,147	2,264,304	58,933,451	57,541,006	(1,392,445)
Remuneration of councillors	3,414,027	87,333	3,501,360	3,438,870	(62,490)
Debt Impairment	1,700,000	-	1,700,000	13,649,485	11,949,485
Depreciation and asset impairment	17,344,000	-	17,344,000	13,224,052	(4,119,948)
Finance costs	5,885,000	1,280,800	7,165,800	9,579,544	2,413,744
Bulk purchases	43,101,692	(1,050,000)	42,051,692	39,440,807	(2,610,885)
Materials	9,117,000	(239,533)	8,877,467	15,440,620	6,563,153
Contracted services	6,007,652	1,886,564	7,894,216	14,543,836	6,649,620
Other Expenditure	19,451,000	(1,350,299)	18,100,701	22,325,500	4,224,799
Grants and subsidies paid	-	-	-	-	-
<b>Total expenditure</b>	<b>162,689,518</b>	<b>2,879,169</b>	<b>165,568,687</b>	<b>189,183,719</b>	<b>23,615,032</b>
<b>Operating deficit</b>	<b>16,188,993</b>	<b>(9,496,130)</b>	<b>6,692,863</b>	<b>(24,141,603)</b>	<b>(30,834,466)</b>
Gain / (loss) on sale of assets	-	-	-	1,038,259	1,038,259
Fair value adjustments	-	-	-	2,168,500	2,168,500
<b>Surplus / (deficit) for the period</b>	<b>16,188,993</b>	<b>(9,496,130)</b>	<b>6,692,863</b>	<b>(20,934,845)</b>	<b>(27,627,708)</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ending 30 June 2016

**ACCOUNTING POLICIES**

**1. Presentation of Financial Statements**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

**2. Presentation currency**

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

**3. Going concern assumption**

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

**4. Significant judgements and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

**4.1 Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

**4.2 Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

**4.3 Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

## **ACCOUNTING POLICIES**

### **4.4 Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

### **4.5 Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

### **4.6 Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

### **4.7 Effective Interest rate**

The municipality used the prime interest rate to discount future cash flows.

### **4.8 Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

## **5. Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

### **Fair value**

Subsequent to initial measurement investment property is measured at fair value

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

**ACCOUNTING POLICIES**

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

**6. Property Plant and Equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality;
- and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**ACCOUNTING POLICIES**

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

- Buildings : 30 years
- Plant and machinery : 2 to 20 years
- Furniture and fixtures : 7 to 10 years
- Motor vehicles : 2 to 20 years
- Office equipment : 3 to 7 years
- Infrastructure :
  - Roads and Paving : 10 to 25 years
  - Electricity Networks : 20 to 30 years
  - Water Networks : 15 to 20 years
  - Sewerage Networks : 15 to 20 years
- Community :
  - Sport Facilities : 30 years
  - Cemeteries : 30 years
  - Libraries and Halls : 30 years
  - Parks and Gardens : 30 years
- Security measures : 3 to 15 years
- Bins and containers : 2 to 20 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

**7. Site restoration and dismantling cost**

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model: (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period; (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

## ACCOUNTING POLICIES

If the related asset is measured using the revaluation model: (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that: - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 8. Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software and other : 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.



## **ACCOUNTING POLICIES**

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### **9. Heritage assets**

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

### **10. Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

## **ACCOUNTING POLICIES**

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to: - receive cash or another financial asset from another entity; or - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or

**ACCOUNTING POLICIES**

- on initial recognition it is part of a portfolio of identified financial instruments.

**Classification :**

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto and all are measured at amortised cost:

- Cash and cash equivalents
- Consumer Debtors
- Receivables from exchange transactions
- Receivables from non-exchange transactions

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto and are measured at amortised cost:

- Unspent conditional grants
- Consumer deposits
- Payables from exchange transactions
- VAT payable

**Initial recognition :**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

**Initial measurement of financial assets and financial liabilities.**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

**Subsequent measurement of financial assets and financial liabilities.**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

**Gains and losses. .**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

**Derecognition****Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity : - derecognise the asset; and - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

**ACCOUNTING POLICIES**

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

**Financial liabilities**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

**Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

**11. Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

**Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair

## **ACCOUNTING POLICIES**

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## **12. Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## **13. Discontinued Operations**

Discontinued operation is a component of an municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

## **14. Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

## **ACCOUNTING POLICIES**

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### **Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

### **Basis for estimates of future cash flows**

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

### **Composition of estimates of future cash flows**

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

### **Estimates of future cash flows exclude:**

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

**ACCOUNTING POLICIES****Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

**Reversal of impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

## ACCOUNTING POLICIES

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 15. Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.



## **ACCOUNTING POLICIES**

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## **16. Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

## **ACCOUNTING POLICIES**

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.
- When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
  - as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
  - as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### **Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

## ACCOUNTING POLICIES

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

### Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

## 17. Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;

## **ACCOUNTING POLICIES**

- the location, function, and approximate number of employees who will be compensated for being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### **18. Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### **19. Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

**ACCOUNTING POLICIES****Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

**Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

**20. Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

## **ACCOUNTING POLICIES**

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### **Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### **21. Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **22. Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **23. Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **24. Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **25. Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including - (a) this Act; or (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or (c) any provincial legislation providing for procurement procedures in that provincial government.

**ACCOUNTING POLICIES**

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**26. Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

**27. Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

**28. Grants, transfers and donations**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from grants is recognised to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unutilised conditional grants are reflected in the Statement of Financial Position as a current liability.

**29. Changes in Accounting Policies, Changes in Accounting Estimates and Errors****Changes in Accounting Policies**

An entity will only change an accounting policy if the change is required by a Standard of GRAP or will result in the financial statements providing reliable or more relevant information.

**ACCOUNTING POLICIES**

The first-time application of an accounting policy to transactions or events that differ substantially from those that occurred previously or are occurring for the first time (or were previously regarded as being immaterial), is not a change in accounting policy.

**Applying changes in Accounting Policies**

A change in accounting policy resulting from the initial application of a Standard will be applied in accordance with the transitional provisions of that Standard. In the case of a voluntarily change or when no transitional provisions are specified, the change is applied retrospectively except if it is impracticable. Applying a change retrospectively entails adjusting the opening balance of each affected component of net assets and other comparative amounts disclosed for each period presented as if the new policy has always been applied.

**Disclosure**

When retrospectively applying a Standard of GRAP for the first time, the entity will disclose:

- Title of the Standard and the nature of the change
- Whether the transitional provisions are applied together with a description thereof.
- Amount of the adjustment to each financial statement line item affected for each period presented.
- Adjustments that relate to periods before those presented.
- If retrospective application is impracticable, the circumstances surrounding that condition and a description of how the accounting policy has been applied.

Upon a voluntary change in accounting policy the following are disclosed in the financial statements:

- Nature of the change and reasons why it provides reliable and more relevant information
- Amount of the adjustment to each financial statement line item affected for each period presented
- Amount of the adjustment relating to periods before those presented
- If retrospective application is impracticable, the circumstances that led to that condition and a description of how and from when the change in accounting policy has been applied.
- When a Standard of GRAP has been issued but is not yet effective, the entity will disclose this fact as well as a reasonable estimate of the possible impact it will have on future periods.

**Changes in Accounting Estimates**

As a result of the uncertainties inherent in delivering service and conducting other business activities, many items in financial statements cannot be measured with precision but require estimation. An estimate may need revision if changes occur in the circumstances on which the estimate was based, or as a result of new information or more experience.

A change in an accounting estimate is recognised prospectively by including the effects in surplus or deficit in the period that is effected (current and/or future) except if the change in estimate gives rise to changes in assets, liabilities or net assets. In this case, it is recognised by adjusting the carrying amount of the related asset, liability or net asset in the period of the change.

An entity is required to disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in the future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

**Errors**

Errors may arise from mistakes and oversights or misinterpretation of available information. Material prior-period errors are adjusted retrospectively (that is, by restating comparative figures), unless this is impracticable.

The nature of the prior period error and the amount of the correction on each of the financial statement line items affected are required to be disclosed

**30. New standards and interpretations****30.1 Standards and interpretations effective and adopted in the current year**

There are no standards and interpretations that are effective for the current financial year and that are relevant to the municipality and its operations.

**30.2 Standards and interpretations early adopted**

The municipality has chosen to early adopt the following standards and interpretations:

**Standard/ Interpretation:** GRAP 20: Related parties

**Effective date:** 01 April 2016

**Expected impact:** The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements

**30.3 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

- GRAP 32: Service Concession Arrangement: Grantor
- GRAP 108: Statutory Receivables



**ACCOUNTING POLICIES**

- GRAP 109: Accounting by Principals and Agents

**DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP**

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**31. Value Added Tax**

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly bases. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statements are prepared on the accrual basis of accounting

**32. Use of estimates**

The preparation annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from estimates

**33. Unknown deposits**

Unknown deposits refer to amounts which were paid into municipal accounts without proper reference to be able to allocate received to correct debtors accounts or relevant vote accounts

**Recognition**

Once the payment is received the municipality will try to trace the amount to allocate it to the correct debtor or vote account. After the municipality has exhausted all options, the municipality will advertise to the public. Should the public not come to claim the amounts, then the municipality will classify the amount as liability

**Measurement**

The amount of unknown deposits is valued at fair value of the amount actually received

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**1 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

	2016 R	Restated 2015 R
Cash on hand	6,310	6,310
Cashbook balance	(600,342)	755,380
Call deposits	65,011	61,960
	<u>(529,021)</u>	<u>823,650</u>

The Municipality had the following bank accounts

Institution / Account number	Bank statement balances			Cash book balances		
	30 June 2016 R	30 June 2015 R	30 June 2014 R	30 June 2016 R	30 June 2015 R	30 June 2014 R
Standard Bank 031-702-32500	(742,239)	804,411	119,618	(600,342)	755,380	119,618
ABSA 928-651-1602	20,979	20,181	39,981	20,979	20,181	39,981
Standard Bank 348-714-238	44,032	41,779	849,453	44,032	41,779	849,453
	<u>(677,228)</u>	<u>866,371</u>	<u>1,009,052</u>	<u>(535,331)</u>	<u>817,340</u>	<u>1,009,052</u>

**2 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Summary of Receivables from Exchange Transactions by Service

as at 30 June 2016	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Electricity	20,935,818	(17,302,466)	3,633,352
Water	9,968,097	(7,334,154)	2,633,944
Sewerage	10,973,608	(9,189,530)	1,784,079
Refuse	9,566,632	(8,192,509)	1,374,122
Other	2,435,246	(1,582,843)	852,403
<b>Total</b>	<u>53,879,402</u>	<u>(43,601,502)</u>	<u>10,277,900</u>

as at 30 June 2015

Electricity	14,748,792	(11,646,606)	3,102,186
Water	7,075,194	(5,819,505)	1,255,689
Sewerage	6,767,725	(6,086,169)	881,556
Refuse	5,665,802	(5,135,184)	530,618
Other	2,140,740	(1,264,554)	876,186
<b>Total</b>	<u>36,398,253</u>	<u>(29,952,018)</u>	<u>6,446,235</u>

Summary of Receivables from Exchange Transactions by Age and Service

as at 30 June 2016	Electricity R	Water R	Sewer R	Refuse R	Other R	Total R
Current (0 – 30 days)	3,446,934	(729,339)	472,425	646,260	(552,078)	3,284,202
31 - 60 Days	1,780,490	491,470	590,542	531,787	38,734	3,433,023
61 - 120 Days	1,776,995	766,111	1,105,900	941,454	65,492	4,645,952
121 and more days	12,925,573	7,930,537	8,416,172	7,317,110	2,271,063	38,860,455
Add back Received in advance	1,005,825	1,519,300	388,570	130,020	612,055	3,655,770
Less Impaired	(17,302,466)	(7,334,154)	(9,189,530)	(8,192,509)	(1,582,843)	(43,601,502)
<b>Total</b>	<u>3,633,351</u>	<u>2,633,925</u>	<u>1,784,079</u>	<u>1,374,122</u>	<u>852,423</u>	<u>10,277,900</u>

as at 30 June 2015	Electricity R	Water R	Sewer R	Refuse R	Other R	Total R
Current (0 – 30 days)	253,181	-	190,096	289,241	-	732,498
31 - 60 Days	864,428	-	283,752	272,735	-	1,220,915
61 - 120 Days	317,242	251,209	516,249	463,973	-	1,548,673
121 and more days	11,174,520	5,949,420	5,494,659	463,973	1,347,372	24,429,944
Add back Received in advance	2,339,441	874,565	282,969	4,175,880	793,367	8,466,222
Less Impaired	(11,646,606)	(5,819,505)	(6,086,169)	(5,135,184)	(1,264,552)	(29,952,016)
<b>Total</b>	<u>3,102,186</u>	<u>1,255,689</u>	<u>681,556</u>	<u>530,618</u>	<u>876,187</u>	<u>6,446,236</u>

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	2016 R	Restated 2015 R
<b>Summary of Receivables from Exchange Transactions by Customer Classification and including assessment rates</b>		
<b>as at 30 June 2016</b>		
	Household Consumers	Industrial / Commercial
	■	R
Current (0 – 30 days)	5,635,451	3,506,138
31 - 60 Days	2,820,882	2,021,003
61 - 90 Days	2,582,427	1,448,896
more than 90 days	44,893,518	26,448,745
Sub-total	55,932,278	33,424,782
Less: Provision for doubtful debts	(26,160,901)	(17,440,601)
<b>Total debtors by customer classification</b>	<b>29,771,377</b>	<b>15,984,181</b>
	Household Consumers	Industrial / Commercial
	R	R
Current (0 – 30 days)	5,599,655	6,364,261
31 - 60 Days	1,701,484	859,983
61 - 90 Days	1,309,155	698,460
more than 90 days	36,428,169	21,235,284
Sub-total	45,038,463	29,157,988
Less: Provision for doubtful debts	(17,805,093)	(12,146,924)
<b>Total debtors by customer classification</b>	<b>27,233,370</b>	<b>17,011,064</b>
	National and Provincial Government	National and Provincial Government
	R	R
	312,424	312,424
	268,771	268,771
	285,828	285,828
	6,328,059	6,328,059
	7,195,082	7,195,082
	-	-
	7,195,082	7,195,082
<b>Reconciliation of the doubtful debt provision</b>		
Balance at beginning of the year	(29,952,017)	(14,006,589)
Contributions to provision	(13,649,485)	(15,945,428)
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year transferred to Trade Receivables</b>	<b>(43,601,502)</b>	<b>(29,952,017)</b>
<b>Consumer debtors pledged as security</b>		
None of the consumer debtors were pledged as security for overdraft facilities		
<b>3 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Rates debtors	42,672,740	45,674,455
Other deposits	101,802	148,616
Other receivables	348,456	1,520,901
Conditional grants receivable	13,733,641	-
Traffic fines	181,400	200,767
<b>Total Other Debtors</b>	<b>57,038,039</b>	<b>47,544,739</b>
<b>4 INVENTORIES</b>		
Consumable stores	1,197,999	911,466
Water	29,444	27,083
	<b>1,227,444</b>	<b>938,549</b>
<b>5 INVESTMENTS</b>		
Current Investments :		
Deposits	-	-
	-	-
<i>These amounts had been invested at :</i>		
<u>Investee / Account Number / Interest rate</u>	<u>Type of Investment</u>	
There were no investments	-	-
<b>6 CONSTRUCTION CONTRACTS</b>		
Contracts in progress at yearend	-	-
<b>7 VAT PAYABLE / RECEIVABLE</b>		
VAT Accrual Basis	5,542,201	3,264,717
VAT Cash Basis	1,938,212	4,767,250
	<b>7,480,413</b>	<b>8,031,967</b>

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2016  
R

Restated  
2015  
R

The municipality is registered on the receipt basis for VAT purposes. VAT is paid over to SARS only once payment is received from debtors and claimable when payments were effected to suppliers.

**8 INTANGIBLE ASSETS**

2016  
R

2015  
R

	Cost	2016 Accumulated amortisation and impairment losses	Carrying value	Cost	2015 Accumulated amortisation and impairment losses	Carrying value
Servitudes	144,845	-	144,845	144,845	-	144,845
Computer software	924,522	(874,033)	50,489	924,522	(874,033)	50,489
	<u>1,069,367</u>	<u>(874,033)</u>	<u>195,334</u>	<u>1,069,367</u>	<u>(874,033)</u>	<u>195,334</u>

**Reconciliation of Intangible assets - 2016**

	Opening Balance		Amortisation	Closing Balance
Servitudes	144,845			144,845
Computer software	50,489	-	-	50,489
	<u>195,334</u>	<u>-</u>	<u>-</u>	<u>195,334</u>

**Reconciliation of Intangible assets - 2015**

	Opening Balance	Correction of error	Amortisation	Closing Balance
Servitudes	-	144,845	-	144,845
Computer software	100,958	-	(50,489)	50,489
	<u>100,958</u>	<u>144,845</u>	<u>(50,489)</u>	<u>195,334</u>

Intangible assets with indefinite lives consists of computer software licenses and the right to use computerised programmes and Servitudes

All immovable intangible assets were valued by a professional Property Valuer Nr 5651/7 in the 2015/16 financial year. During the assessment of investment properties, servitudes were identified in the investment property register. Servitudes registered in the name of the municipality were also identified in the Valuation Roll. The servitudes identified in the Valuation Roll and by the Property Valuer were recognised in an immovable intangible asset register in accordance with GRAP 3, the Accounting Standards for Change in Accounting Policy, Change in Estimates and Errors.

**9 INVESTMENT PROPERTY**

	Cost	2016 Accumulated amortisation and impairment losses	Carrying value	Cost	2015 Accumulated amortisation and impairment losses	Carrying value
Investment Property	10,712,700	-	10,712,700	8,544,200	-	8,544,200

**Reconciliation of Investment Property - 2016**

	Opening Balance	Derogation	Transfer / Re - classification	Fair value adjustments	Closing Balance
Investment Property	8,544,200	-	-	2,168,500	10,712,700

**Reconciliation of Investment Property - 2015**

	Opening Balance	Correction of error	Derogation	Transfer / Re - classification	Fair value adjustments	Closing Balance
Investment Property	17,012,753	(7,232,340)	(1,474,906)	(2,000,000)	2,238,693	8,544,200

Revaluations were performed by a professional Property Valuer Nr 5651/7, in the 2015/16 financial year acted independent from the Municipality to revalue the non-current assets. and have expert experience in the location and categorising of the investment property being valued

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**10 HERITAGE ASSETS**

TES TO THE FINANCIAL STATEMENTS				2016 R	Restated 2015 R	
HERITAGE ASSETS						
	Cost	2016 Accumulated amortisation and impairment losses	Carrying value	Cost	2015 Accumulated amortisation and impairment losses	Carrying value
Exhibits	180,521	-	180,521	180,521	-	180,521

**Reconciliation of Heritage Assets - 2016**

	Opening Balance	Amortisation	Total
Exhibits	180,521	-	180,521

**Reconciliation of Heritage Assets - 2015**

	Opening Balance	Correction of error	Total
Exhibits	180,521	-	180,521

Heritage assets not recorded in the asset register since it cannot be valued reliably. It would not be possible to establish appropriate unit prices from scrap metal or materials for the coco pan, locomotive or stone monument.

**1. Monument built from stone at the Civic Centre**

This monument is based at the Civic Centre in Nelson Mandela street in Mookgophong.

**2. Locomotive**

This monument is based at the Civic Centre in Nelson Mandela street in Mookgophong.

**3. Coco pan**

An ore haulage pan in Thabo Mbeki street, Mookgophong.

**11 PROPERTY PLANT & EQUIPMENT**

	Cost	2016 Accumulated amortisation and impairment losses	Carrying value	Cost	2015 Accumulated amortisation and impairment losses	Carrying value
Land	94,997,685	-	94,997,685	95,631,794	-	95,631,794
Buildings	18,010,238	(12,605,735)	5,404,567	17,953,576	(11,843,888)	6,109,708
Infrastructure	334,027,157	(120,731,327)	213,295,830	307,835,852	(111,429,225)	196,406,627
Community	47,680,032	(16,535,507)	31,144,525	48,886,373	(16,060,787)	32,825,586
Work in Progress	30,081,247	-	30,061,247	39,571,414	-	39,571,414
Other PPE	13,929,619	(6,556,625)	7,372,994	15,769,857	(8,306,618)	7,463,239
	<u>538,705,978</u>	<u>(156,429,193)</u>	<u>382,276,848</u>	<u>525,648,866</u>	<u>(147,640,498)</u>	<u>378,008,368</u>

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**11 PROPERTY, PLANT AND EQUIPMENT (cont)**

**Reconciliation of Property, Plant and Equipment - 2016**

	Opening Balance R	Additions R	Correction of Error R	Gain / (Losses) on Disposals R	Transfers R	Derogation R	WIP Released R	Depreciation R	Impairment movements R	Total R
Land	95,631,794	43,000	3,200	-	-	(680,361)	-	-	-	94,997,633
Buildings	6,109,709	60,382	-	-	-	(3,641)	-	(670,750)	(91,133)	5,404,567
Infrastructure	196,406,627	770,119	-	-	36,958	(1,363)	25,540,285	(9,441,103)	(15,690)	213,295,833
Community	32,825,587	743,028	-	-	-	(727,675)	-	(1,684,192)	(12,223)	31,144,525
Work in Progress	39,571,414	16,030,109	-	-	-	-	(25,540,285)	-	-	30,061,238
Other PPE	7,463,241	1,406,123	26,060	-	-	(213,475)	-	(1,308,980)	-	7,372,989
	<u>378,008,372</u>	<u>19,052,761</u>	<u>29,260</u>	<u>-</u>	<u>36,958</u>	<u>(1,626,515)</u>	<u>-</u>	<u>(13,105,005)</u>	<u>(119,046)</u>	<u>382,276,785</u>

**Reconciliation of Property, Plant and Equipment - 2015**

	Opening Balance R	Additions R	Correction of Error R	Gain / (Losses) on Disposals R	Transfers R	Derogation R	WIP Released R	Depreciation R	Impairment movements R	Total R
Land	93,214,983	-	-	-	2,416,811	-	-	-	-	95,631,794
Buildings	7,065,958	-	-	-	83,189	(341,207)	-	(688,231)	-	6,109,709
Infrastructure	191,224,570	456,880	-	-	8,281,152	(278)	5,671,001	(9,226,698)	-	196,406,627
Community	31,125,051	301,575	-	-	-	-	3,040,468	(1,641,507)	-	32,825,587
Work in Progress	18,248,716	30,034,167	-	-	-	-	(8,711,469)	-	-	39,571,414
Other PPE	3,535,701	7,866,227	(29,091)	-	-	84,759	-	(3,994,355)	-	7,463,241
	<u>344,404,979</u>	<u>38,658,849</u>	<u>(29,091)</u>	<u>-</u>	<u>10,781,152</u>	<u>(256,726)</u>	<u>-</u>	<u>(15,550,791)</u>	<u>-</u>	<u>378,008,372</u>

The municipality has donated R293-(RDP Housing) land to the Limpopo Department of Local Government and Housing in 1998 (now called Co-operative Governance and Traditional Affairs) to be allocated to previously disadvantaged communities that did not own land prior to 1994. The allocated properties were not transferred yet into the beneficiaries names and are therefore still registered in the name of the Municipality. This land is however not reflected on the Municipality's asset register as it was rightfully allocated to third parties not under the control of the Municipality and hence the proper value of the assets could not be ascertained.

**Pledged as security**

No property, plant and equipment was pledged as security.

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	2016 R	Restated 2016 R
<b>12 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	111,604,967	61,471,397
Payments received in advance	6,064,518	10,879,970
Retentions	5,833,536	3,762,881
Other creditors	3,861,669	3,140,416
<b>Total creditors</b>	<b>127,364,689</b>	<b>79,254,664</b>

*The fair value of trade and other payables approximates their carrying amounts.*

<b>13 CONSUMER DEPOSITS</b>		
Electricity and Water	<b>3,517,488</b>	<b>3,563,339</b>

Consumer deposits are raised when a service account is opened and are refunded to the consumer after the account is closed.  
No interest is paid for deposits held on behalf of consumers.

**14 CURRENT EMPLOYEE BENEFIT OBLIGATIONS**

Reconciliation of Provisions - 2016

	Opening balance R	Expenditure during the year R	Contributions to the provision R	Closing balance R
Provision for leave	5,507,067	(1,178,450)	1,760,321	6,108,938
Provision for 13th cheque payments	967,277	-	252,810	1,220,087
	<b>6,474,344</b>	<b>(1,178,450)</b>	<b>2,033,131</b>	<b>7,329,024</b>

Reconciliation of Provisions - 2015

	Opening balance R	Expenditure during the year R	Contributions to the provision R	Closing balance R
Provision for leave	4,409,121	(445,851)	1,543,797	5,507,067
Provision for 13th cheque payments	731,593	235,684	-	967,277
	<b>5,140,714</b>	<b>(210,167)</b>	<b>1,543,797</b>	<b>6,474,344</b>

**15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

<b>Unspent Conditional Grants from other spheres of Government</b>		
Municipal Infrastructural Grant	(13,733,641)	7,203,583
Housing Grant	2,901,261	2,901,261
Grant from Waterberg District Council	61,112	61,112
Lotto Grant	137,300	137,300
Expanded Public Works Programme	133,058	-
<b>Total Unspent Conditional Grants and Receipts</b>	<b>(10,500,909)</b>	<b>10,303,256</b>
<b>Non-current unspent conditional grants and receipts</b>	-	-
<b>Current portion of unspent conditional grants and receipts</b>	<b>3,232,732</b>	<b>10,303,256</b>
<b>Current portion of conditional grants and receipts disclosed as non-exchange receivables</b>	<b>(13,733,641)</b>	<b>-</b>

*See Note 27 for reconciliation of grants and receipts. These amounts are not invested in ring-fenced investments.*

**16 FINANCE LEASE LIABILITY**

2016	Minimum lease payment	Future finance charges	Present value of minimum lease payments
<b>Amounts payable under finance leases</b>			
Within one year	3,440,470	470,567	2,969,903
Within two to five years	2,791,541	153,872	2,637,669
	<b>6,232,011</b>	<b>624,439</b>	<b>5,607,572</b>

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	2016 R	Restated 2015 R
<b>2015</b>		
<b>Amounts payable under finance leases</b>	<b>Minimum lease payment</b>	<b>Future finance charges</b>
Within one year	3,730,249	732,718
Within two to five years	5,254,285	486,288
	<u>8,984,534</u>	<u>1,218,986</u>
		<u>Present value of minimum lease payments</u>
		2,997,531
		4,768,017
		<u>7,765,548</u>

*It is the municipality's policy to lease certain property, plant and equipment under finance leases.*

*The municipality entered into a finance lease agreement with Calsave- (Internet). The lease agreement was entered into on 1 September 2013. The monthly lease payment amounts to R 38 366.54. The lease term is 3 years. The effective interest rate was 17.65 %.*

*The municipality entered into a lease agreement with Panasonic (Photocopying Machines). The lease agreement was entered into on 1 September 2013. The monthly lease payments amounts to R 21 044.98. The lease term is for 3 years at an effective interest rate of 13.3%.*

*The municipality entered into a lease agreement with Boka-Neo Investments( Vehicles). The lease agreement was entered into 11 February 2015. The lease term is for 3 years at an effective interest rate of 11.75%.*

**17 NON-CURRENT PROVISIONS**

**Reconciliation of Provisions - 2016**

	Opening balance R	Expenditure during the year R	Additions R	Closing balance R
Provision for rehabilitation of landfill sites	8,306,837.00		739,488.00	9,046,325
	<u>8,306,837.00</u>	-	<u>739,488.00</u>	<u>9,046,325</u>

**Reconciliation of Provisions - 2015**

	Opening balance R	Correction of Error R	Expenditure during the year R	Additions R	Closing balance R
Provision for rehabilitation of landfill sites	1,799,420	6,226,509	-	280,908	8,306,837
	<u>1,799,420</u>	<u>6,226,509</u>	-	<u>280,908</u>	<u>8,306,837</u>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The calculation is based on the present value of the future obligation, discounted at 6% over an average period of 87 years.

**18 NON - CURRENT EMPLOYEE BENEFIT OBLIGATIONS**

**Provision for long-service awards:**

*Long-service awards are payable to employees, with 5 years intervals, starting from 10 years continuous service. The provision is an estimate of the long-service based on historical staff turnover. Arch Actuarial Consulting CC was appointed by the Municipality to determine the actuarial valuations towards the long-service awards obligation.*

The fair value of plan assets includes:  
Not applicable as there are no plan assets

**Net expense recognised in the statement of financial performance**

Opening Balance	2,806,706	2,043,652
Amount included in employee related costs	691,363	763,054
Current Service Cost	377,880	396,683
Interest Cost	219,211	158,656
Actuarial (Gain)/Loss Recognised in P&L	239,442	384,482
Employer Benefit Vestings	(245,170)	(176,767)
	<u>3,398,069</u>	<u>2,806,706</u>

**Best estimate of benefit payments expected in the next annual periods**

	2016/17	2017/18
Amount included in employee related costs	473,529	235,152
Current Service Cost	441,644	479,549
Interest Cost	281,170	309,029
Actuarial (Gain)/Loss Recognised in P&L	-	-
Employer Benefit Vestings	(249,285)	(553,426)



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	2016 R	Restated 2015 R
<b>Defined contribution plan</b>		
The municipality contributes towards the following defined contribution pension plans:		
<ul style="list-style-type: none"> <li>- Samwu Provident Fund</li> <li>- National Fund for Municipal Workers</li> <li>- Municipal Gratuity Fund</li> <li>- Municipal Employee Fund</li> <li>- Joint Municipal Pension Fund</li> <li>- Municipals Councillors Pension Fund</li> <li>- Government Employee Pension Fund</li> <li>- SALA Pension Fund</li> <li>- National Fund for Municipal Workers – 2% Fund</li> <li>- Imatu Pension Fund</li> </ul>		
The annual contributions towards the above pension funds have been expensed and included in employee related costs for the year. Refer to note 48 below.		
<b>Defined benefit plan</b>		
The municipality offers employees and continued members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. In-service members who joined the municipality on or before 1 December 2005 will receive a post-employment subsidy of 60% of the contribution payable, except for four of the older continuation members who are receiving a 70% subsidy. Widow(er)s and orphans of eligible in-service members are entitled to receive the same subsidy(60%) on and after the death of an in-service employee. Upon a members death-in-service or death-in-retirement, the surviving dependents will continue to receive the same subsidy of between 60% and 70%.		
Arch Actuarial Consulting CC was appointed by the Municipality to determine the actuarial valuations towards the post employment health care benefits.		
The municipality contributes towards the following defined benefit plans :		
<ul style="list-style-type: none"> <li>- KeyHealth</li> <li>- Bonitas</li> <li>- LA Health</li> <li>- Hosmed</li> <li>- SAMWUMed</li> </ul>		
The annual contributions towards the above medical funds including for post-retirement benefits, have been expensed and are included in employee related costs for the year, however the long term obligation for continuous members are provided as follows :		
In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.		
It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.		
The amounts recognised in the statement of financial position are as follows:		
<b>Net expense recognised in the statement of financial performance</b>		
Opening Balance	18,084,659	17,380,087
Amount Included in employee related costs	(426,874)	704,572
Current Service Cost	278,563	275,125
Interest Cost	1,571,559	1,516,490
Actuarial (Gain)/Loss Recognised in P&L	(1,614,296)	(440,027)
Contributions / Employer Benefit Payments	(662,700)	(647,016)
Provision for post employment health care benefits	<u>17,657,785</u>	<u>18,084,659</u>
<b>Total non-current employee benefit obligations :</b>	<u><b>21,055,854</b></u>	<u><b>20,891,365</b></u>
<b>Key assumptions used to determine obligations</b>		
Key financial assumptions used at the reporting date:		
Discount Rates used	9.32%	8.85%
Health Care Cost Inflation Rate	8.39%	7.94%
Net effective discount rate	0.86%	0.84%
Key demographic assumptions used at the report date:		

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	<b>2016</b>	<b>Restated</b>
	<b>R</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
Average retirement age	63	63
Benefit accrual age		
Continuation of membership at retirement	98%	98%
Proportion assumed married at retirement	90%	90%
Proportion of eligible current non-member employees joining the scheme by retirement		
Mortality during employment	SA 85 - 90	SA 85 - 90
Mortality post-retirement	PA(90)-1 ultimate	PA(90)-1 ultimate

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		7.976	9.682	17.658	
Health care Inflation	+1%	8.954	10%	19.022	8%
	-1%	6.943	9.169	16.112	-9%
Discount Rate	+1%	6.614	8.868	15.482	-12%
	-1%	9.725	10.633	20.358	15%
Post-retirement mortality	-1%	8.238	10.034	18.271	3%
Average Retirement Age	-1%	8.432	9.682	18.114	3%
Continuation of membership at retirement	-10%	7.201	9.682	16.883	-4%

**19 SERVICE CHARGES**

Sale of electricity	41,761,269	31,020,857
Sale of water	6,476,318	4,240,385
Refuse removal	7,305,914	4,970,910
Sewerage and sanitation charges	8,326,851	4,681,588
<b>Total Service Charges</b>	<b>63,870,353</b>	<b>44,913,740</b>

**20 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	336,280	319,404
<b>Total rentals</b>	<b>336,280</b>	<b>319,404</b>

**21 INTEREST EARNED - CURRENT AND INVESTMENT ACCOUNTS**

Interest earned on current accounts and investments	7,112	129,339
<b>Total interest</b>	<b>7,112</b>	<b>129,339</b>

**22 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Interest charged against all consumer debtors in arrears	8,542,655	6,087,697
<b>Total interest</b>	<b>8,542,655</b>	<b>6,087,697</b>

**23 REVENUE FROM AGENCY FEES**

Fire Fighting	944,090	1,034,361
Vehicle Licenses	2,743,623	2,587,329
	<b>3,687,712</b>	<b>3,621,690</b>

**24 OTHER REVENUE**

Connection and reconnection fees	591,636	-
Insurance claims and Cemetery fees	400,537	64,988
Sundry income	203,355	713,739
	<b>1,195,527</b>	<b>778,727</b>

**25 PROPERTY RATES**

<b>Actual</b>		
Rates	24,203,538	27,047,267
Less : Income forgone	(1,674,731)	(1,845,586)
<b>Total</b>	<b>22,528,808</b>	<b>25,201,681</b>

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	2016 R	Restated 2015 R
<b>Valuations</b>		
Residential	2,080,287,961	1,993,917,641
Commercial	243,154,350	283,948,448
Agricultural	4,396,187,478	4,267,633,160
State	58,096,100	210,606,200
Municipal and Non Rateable Property	223,068,400	73,175,100
<b>Total Property Valuations</b>	<b>7,000,794,289</b>	<b>6,829,280,549</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The valuation roll was certified on 28 February 2013 by the Municipal Manager.

**26 FINES AND PERMITS**

Traffic fines	-	928,250
Trade Licenses and Dog Licenses	11,400	-
Late returns of library books	103	-
	<b>11,503</b>	<b>928,250</b>

**27 GOVERNMENT GRANTS AND SUBSIDIES**

<b>Operating Grants</b>	<b>45,233,942</b>	<b>37,731,000</b>
Equitable share	41,540,000	33,883,000
Finance Management Grant	1,800,000	1,800,000
Municipal Systems Improvement Grant	930,000	934,000
Skills Education & Training Grant	-	-
Expanded Public Works Grant	963,942	1,134,000
<b>Capital Grants</b>	<b>19,585,224</b>	<b>35,562,416</b>
Municipal Infrastructural Grant	19,585,224	35,562,416
Housing Grant	-	-
<b>Total Government Grant and Subsidies</b>	<b>64,819,166</b>	<b>73,293,416</b>

**27.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of operations within the municipality.

**27.2 Municipal Infrastructural Grant**

Balance unspent at beginning of year	7,203,583	3,872,657
Current year receipts	16,156,000	42,766,000
Conditions met - transferred to revenue	(19,585,224)	(35,562,417)
Revert to National Treasury	(17,508,000)	(3,872,657)
Conditions still to be met - remain as receivable (see note 3)	<b>(13,733,641)</b>	<b>7,203,583</b>

The intention of the grant is to provide funding for infrastructural capital projects. The unspent amount is committed to capital projects still under construction.

**27.3 Other Government Grants and Subsidies**

Balance unspent at beginning of year	3,099,673	3,099,673
Current year receipts	3,827,000	3,868,000
Conditions met - transferred to revenue	(3,693,942)	(3,868,000)
Revert to National Treasury	-	-
Conditions still to be met - remain liabilities (see note 15)	<b>3,232,731</b>	<b>3,099,673</b>

The unspent amount is in relation to projects still to be commenced with.

**27.4 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2015), dated 31 March 2015, the Municipal Systems Improvement Grant will no longer be a direct transfer to the Municipalities, but an indirect allocation to the Provincial Governments..

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	2016 R	Restated 2015 R
<b>28 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
<b>28.1 Other income</b>		
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	-	-
<b>Total Other Income</b>	-	-
<b>28.2 Public contributions and donations</b>		
Waterberg District Municipality (Capital project released)	43,000	7,350,259
<b>Total public contributions and donations</b>	43,000	7,350,259
<b>29 EMPLOYEE RELATED COSTS</b>		
<b>Remuneration of the Municipal Manager</b> (Position was filled for the full financial year)		
Annual Remuneration	695,845	687,309
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	304,481	79,338
Contributions to UIF, Medical and Pension Funds	164,889	9,293
<b>Total</b>	1,165,195	776,940
<b>Remuneration of the Chief Finance Officer</b> (Position was filled for the full financial year)		
Annual Remuneration	751,529	708,227
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	254,993	239,122
Contributions to UIF, Medical and Pension Funds	11,387	10,780
<b>Total</b>	1,017,889	958,129
<b>Remuneration of Individual Executive Directors</b>		
	<b>Technical Services</b>	<b>Corporate Services</b>
	Filled for full year	Vacant
<b>2016</b>		<b>Community Services</b>
		Filled for full year
Annual Remuneration	605,518	578,830
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	225,700	194,344
Contributions to UIF, Medical and Pension Funds	8,897	167,250
<b>Total</b>	840,115	940,424
	<b>Technical Services</b>	<b>Corporate Services</b>
<b>2015</b>		<b>Community Services</b>
Annual Remuneration	252,299	541,822
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	85,417	179,052
Contributions to UIF, Medical and Pension Funds	3,950	165,536
<b>Total</b>	341,666	886,210
<b>Remuneration of all other employees</b>		
Employee related costs - Salaries and Wages	32,913,603	29,053,032
Employee related costs - Contributions for UIF, pensions and medical aids	10,897,931	3,066,202
Travel, motor car, accommodation, subsistence and other allowances	7,457,755	2,581,590
Housing benefits and allowances	200,712	56,121
Overtime payments	267,407	2,569,232
Long Service Awards	372,152	837,208
Post-employment benefits - Pension - Defined contribution plan	777,146	6,964,017
Other employee related costs	890,677	2,944,016
<b>Total Other Employee Related Costs</b>	53,577,383	48,071,418
<b>Total Employee Related Costs</b>	57,641,006	51,033,363
<i>There were no advances to employees / Loans paid to or outstanding from employees.</i>		
<b>30 REMUNERATION OF COUNCILLORS</b>		
Mayor	734,233	697,231
Chief Whip	556,791	529,040
Chairpersons of section 79 committees	1,196,092	1,417,410
Other Councillors	951,753	678,891
<b>Total Councillors' Remuneration</b>	3,438,870	3,322,572

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	2016 R	Restated 2015 R
<b>In-kind Benefits</b>		
<i>The Mayor and the Chief Whip are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i>		
<i>The Mayor is entitled to make use of a Council owned vehicle for official duties and make use of a full-time driver as well as a full-time security guard at the expense of the Council.</i>		
<b>31 DEBT IMPAIRMENT</b>		
Contribution to accumulated provision for debt impairment	<u>13,649,485</u>	<u>15,945,428</u>
<b>32 DEPRECIATION AND ASSET IMPAIRMENT</b>		
Contribution to accumulated asset depreciation	13,105,005	15,120,616
Asset impairment	119,046	3,850,656
	<u>13,224,052</u>	<u>18,971,272</u>
<b>33 FINANCE COSTS</b>		
Interest Lease Liabilities	757,157	394,585
Interest Cost Rehabilitation of the Landfill site	-	366,350
Interest Cost Defined Benefits	1,571,559	1,516,490
Interest Cost Long Service awards	219,211	158,656
Interest arrear accounts	7,031,616	4,776,782
<b>Total Finance Costs</b>	<u>9,579,544</u>	<u>7,212,863</u>
<b>34 BULK PURCHASES</b>		
Electricity	39,440,807	36,996,862
<b>Total Bulk Purchases</b>	<u>39,440,807</u>	<u>36,996,862</u>
<b>35 MATERIALS</b>		
<b>Repairs and Maintenance :</b>		
Open Public Areas	211,636	140,500
Street Lights	4,094	55,761
Buildings	358,242	378,798
Land & Fencing	66,908	46,720
Streets & Pavements	650,134	197,120
Water Network	4,203,007	4,028,442
Machinery & Equipment	231,663	433,063
Sport Fields	35,975	23,441
Furniture & Office Equipment	16,483	15,059
Electricity Network	1,028,588	516,736
Sewer network	7,116,499	2,605,949
Traffic Signs & Road Markings	77,619	67,243
Computer Equipment	-	1,819,085
Other Materials	1,439,773	-
	<u>15,440,620</u>	<u>10,327,916</u>
<b>36 CONTRACTED SERVICES</b>		
Rental Photocopier	449,946	359,137
Dumping Site Maintenance	1,179,040	
Legal Fees	4,698,976	1,965,946
Computer Software Licenses	215,107	1,104,495
Telephone & Cell phone Costs	684,805	706,366
Security Services	2,490,724	3,230,060
Short Term Insurance	911,140	670,173
Valuation Costs	72,600	586,313
Website Maintenance	-	-
Consultancy and Other Services	3,841,498	1,148,791
	<u>14,543,836</u>	<u>9,771,281</u>

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	2016 R	Restated 2015 R
<b>37 OTHER EXPENDITURE</b>		
Collection Cost	722,407	2,301,044
Audit fees	1,703,682	3,298,303
Included, as general expenses :-		
Advertising and Communication	165,652	256,664
Bank charges	172,740	105,208
Capacity Building	207,130	273,183
Integrated Development Planning Review	270,788	446,365
Public Account Committee	-	-
Conferences and delegations	321,867	288,479
Membership fees	866,986	1,044,400
Mayoral Community Work Programmes	3,064,297	1,251,760
Refreshments	129,517	64,287
Local Economic Development Projects	-	-
Indigent Relief	1,196,244	3,512,364
Audit Committee and Special Audits	101,540	124,784
Postage	96,895	135,178
Travel and subsistence	1,511,933	1,249,163
Vehicle Costs	5,609,972	4,726,191
Utilization of conditional grants	4,916,094	3,868,000
Other	1,267,756	873,169
	<u>22,325,600</u>	<u>23,798,542</u>
<b>38 GRANTS AND SUBSIDIES PAID</b>		
None	-	-
<b>39 GAIN / (LOSS) ON SALE OF ASSETS</b>		
Property, plant and equipment	1,038,259	(1,872,680)
Other financial assets	-	-
Total Gain / (Loss) on Sale of Assets	<u>1,038,259</u>	<u>(1,872,680)</u>
<b>40 FAIR VALUE ADJUSTMENTS</b>		
Investment Property value adjustments	<u>2,168,500</u>	<u>2,238,693</u>
<b>41 CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus/(deficit) for the year	(20,934,845)	(14,389,882)
Adjustment for:-		
Depreciation and amortisation	26,873,537	36,789,380
(Gain) / loss on sale of assets	(1,038,259)	-
Fair value adjustments	(2,168,500)	(2,238,693)
Contribution to provisions	1,594,168	2,931,922
Non-current Assets held for sale	164,489	493,600
Donation received	(43,000)	(7,350,259)
Operating surplus before working capital changes:	<u>4,447,890</u>	<u>16,236,068</u>
(Increase)/decrease in receivables from exchange transactions	(17,481,150)	(3,778,700)
(Increase)/decrease in receivables from non-exchange transactions	(9,493,300)	(8,872,910)
(Increase)/decrease in inventories	(288,895)	285,896
(Increase)/decrease in other receivable	-	934,318
(Increase)/decrease in VAT receivable	551,554	(3,280,701)
Increase/(decrease) in payables from exchange transactions	48,110,025	28,366,704
Increase/(decrease) in consumer deposits	(45,851)	42,187
Increase/(decrease) in unspent conditional grants and receipts	(7,070,524)	3,330,926
Cash generated by/(utilised in) operations	<u>18,729,450</u>	<u>33,265,788</u>
<b>42 CHANGE IN ACCOUNTING POLICY</b>		
There were no significant changes in the accounting policies that could have an effect on the opening balances.		

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	2016 R	Restated 2015 R
<b>43 CORRECTION OF ERROR</b>		
The comparative amounts affected the Accumulated surplus/(deficit) as at 30 June 2016, has been restated as follows:		
<b>Statement of Financial Position -</b>		
Increase in VAT receivable		7,223,107
Increase in PPE		133,281,997
<b>Total affected the Accumulated surplus / (deficit)</b>		<b>140,485,104</b>
<b>Statement of Financial Performance -</b>		
Increase in Income from exchange transactions		(118,852)
Increase in Income from non-exchange transactions		(779,304)
Increase in Expenditure for previous year		(1,217,772)
<b>Total affected the surplus / (deficit) for the year</b>		<b>(2,115,928)</b>
<b>Correction of Error Income from Non-exchange and Exchange transactions:</b> Reconciliations in the rates, interest, electricity, water, refuse, sewer and sundry charges, detected amounts billed in the 2014/15 financial year, that was only recorded in the 2015/16 financial year.		
<b>Correction of VAT :</b> VAT was not disclosed correctly in the 2014/15 AFS. After reconciliations the prior year was adjusted in this set of financial statements.		
<b>Correction of Error Intangible assets:</b> After physical investigation of the asset register servitudes in the name of the municipality were detected and added to the register.		
<b>Correction of Error Investment Property :</b> Balancing the valuation roll, physical inspection, re-valuation, re-classification and deeds searches lead to a decrease in the value of the investment property of the municipality.		
<b>Correction of Error Property Plant and Equipment :</b> Balancing the valuation roll, physical inspection, re-valuation, re-classification and deeds searches lead to a decrease in the value of the investment property of the municipality :		
<b>Correction of Error Intangible Assets :</b> Prior year correction of servitudes identified in the valuation roll and Land & Buildings register, and updated in the intangible asset register.		(3,200)
<b>Correction of Error Land and Buildings :</b> Prior year correction of servitudes identified in the valuation roll and Land & Buildings register, and updated in the intangible asset register.		(4,345)
<b>Correction of Error Land :</b> Recognition of Land Assets in relation to Golf Course.		(2,000,000)
<b>Correction of Error Investment Property :</b> Remove properties other than investment properties from the investment property register to adjust the 2014/15 opening balance.		1,009,704
<b>Correction of Error Investment Property :</b> Add additional investment properties identified by Property Valuer to the investment Property register.		(687,200)
<b>Correction of Error Community Assets :</b> Community land to be recognised as at 30 June 2014 - identified from previous asset register.		(7,525,915)
<b>Correction of Error Community Assets :</b> Community land identified during field assessments and inspections (Erf 183, Roedtan; Erf 807 por 95, Roedtan and Erf 1414, Mookgophong.		(319,000)
<b>Correction of Error Community Assets :</b> Community land value increased from R0 to R27,000.		(27,000)
<b>Correction of Error Infrastructure Assets :</b> Infrastructure land to be recognised as at 30 June 2014 - identified from previous asset register.		(1,647,345)
<b>Correction of Error Infrastructure Assets :</b> Road reserves to be recognised as at 30 June 2014 - identified during recompilation.		(74,830,611)
<b>Correction of Error Building Assets :</b> Other land to be recognised as at 30 June 2014 - identified from previous asset register.		(2,092,611)
<b>Correction of Error Building Assets :</b> Land at Haakdoornkuil farm (erf 323 portion 8) transferre at the start of 2015.		(416,810)
<b>Correction of Error Infrastructure Assets :</b> Elimination of Infrastructure balances as at 30 June 2014.		133,670,693

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	<b>2015 R</b>	<b>Restated 2015 R</b>
Correction of Error Infrastructure Assets : Elimination of Infrastructure asset movements in 2014/15 before the recompilation.		5,887,409
Correction of Error Infrastructure Assets : Recognise recompiled infrastructure asset balances as at 30 June 2014.		(464,249)
Correction of Error Infrastructure Assets : Recognise recompiled infrastructure asset balances as at 30 June 2014.		(190,760,320)
Correction of Error Infrastructure Assets : Recognise 2014/15 movements for infrastructure assets.		(14,409,033)
Correction of Error Infrastructure Assets : Recognise 2014/15 movements for infrastructure assets.		278
Correction of Error Infrastructure Assets : Recognise 2014/15 movements for infrastructure assets.		9,226,697
Correction of Error Land & Building Assets : Elimination of Land and building balances as at 30 June 2014.		41,458,346
Correction of Error Land & Building Assets : Elimination of Land and building movements in 2014/15 before the recompilation.		(4,724,512)
Correction of Error Community Assets : Elimination of community asset balances as at 30 June 2014.		3,286,581
Correction of Error Community Assets : Elimination of community asset movements in 2014/15 before the recompilation.		4,924,546
Correction of Error Community Assets : Recognise recompiled community asset and other asset balances as at 30 June 2014.		(30,155,080)
Correction of Error Landfill Site Provision : write off of Land fill Provision liability at 30 June 2014.		(1,799,240)
Correction of Error Landfill Site Provision : write off of Land fill Provision liability movement for 2015/16.		(388,350)
Correction of Error Landfill / Community Assets : Recognise 2014/15 movements for community assets.		1,641,507
Correction of Error Community Assets / Landfill Site : Recognise 2014/15 movements for community assets.		(3,061,135)
Correction of Error Buildings : Recognise 2014/15 movements for Haakdoornkui farm.		(83,189)
Correction of Error Buildings : Recognise 2014/15 movements for immovable other assets.		341,207
Correction of Error Buildings : Annual depreciation on immovable other assets 2014/15.		688,231
		<u><u>(133,261,946)</u></u>

**44 CHANGE IN ESTIMATE**

*The carrying value of the Mookgophong Municipality's Investment Property was re-valued and re-classified to reflect an accurate asset register.*

**45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**45.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance	36,086,600	19,188,693
Unauthorised expenditure current year :		
Conditional Grants spent on operational expenses	(6,379,944)	6,379,944
Over expenditure on current budget	23,615,032	29,706,656
Approved by Council or condoned	-	(15,316,037)
Transfer to receivables for recovery	-	-
Grants repaid to National Treasury		(3,872,656)
Unauthorised expenditure awaiting authorisation	<u><u>53,321,688</u></u>	<u><u>36,086,600</u></u>



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		2016 R	Restated 2015 R
Incident	Amount	Disciplinary / Corrective steps	
<b>2013/14</b>			
Over expenditure on current budget	R 15,316,037.00	Approved by council, resolution 5/1/2015, dd 30/01/15	
<b>2014/15</b>			
Over expenditure on current budget	R 29,706,656.00	Reported to Council, under investigation	
MIG Grant spent on operational expenses	R 6,379,944.00	Reported to Council, full amount paid to National Treasury	
<b>2015/16</b>			
Over expenditure on current budget	R 23,615,031.84	To be reported to Council.	

**45.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance -	4,776,782	2,068,473
Fruitless and wasteful expenditure current year	7,031,816	4,776,782
Condoned or written off by Council	-	(2,068,473)
Fruitless and wasteful expenditure awaiting condonement	<u>11,808,398</u>	<u>4,776,782</u>

Incident	Amount	Disciplinary / Corrective steps	
<b>2013/14</b>			
Interest on Eskom account late payments	R 2,068,473.00	Approved by council, resolution 5/6/2015, dd 30/06/15	
<b>2014/15</b>			
Interest on Eskom account late payments	R 4,776,782.00	Reported to council	
<b>2015/16</b>			
Interest on Eskom account late payments	R 7,031,816.37	To be reported to Council.	

**45.3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance	25,458,817	24,675,316
Irregular expenditure current year	-	783,501
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>25,458,817</u>	<u>25,458,817</u>

Incident	Amount	Disciplinary / Corrective steps	
<b>2010/11</b>			
<b>Procurement in prior years affected current expenses :</b> Tender documents for the appointment of service providers prior to 2010/11 could not be provided. Payments to these service providers in the current year amount to:	R 5,911,962.00	Deviations had been investigated by MPAC with resolutions to be executed by management. The report and council resolution has to be reported to National Treasury in terms of Circular 68, dated 10 May 2013.	
<b>Procurement done without obtaining three written price quotations :</b> Transactions between R10 000 and R200 000 without three quotations	R 254,972.00	Deviations had been investigated by MPAC with resolutions to be executed by management. The report and council resolution has to be reported to National Treasury in terms of Circular 68, dated 10 May 2013.	
<b>Discrepancies identified in the evaluation of tenders :</b> Bidding not advertised for the required minimum time, specifications not approved by the accounting officer; the specifications did not indicate that it would be evaluated on the 90/10 preference point system; and the winning bidder did not submit compensation fund	R 2,283,277.00	Deviations had been investigated by MPAC with resolutions to be executed by management. The report and council resolution has to be reported to National Treasury in terms of Circular 68, dated 10 May 2013.	
<b>Deviation from Supply Chain Regulations</b> Purchasing of BMW Sedan	R 383,554.00	Deviations had been investigated by MPAC with resolutions to be executed by management. The report and council resolution has to be reported to National Treasury in terms of Circular 68, dated 10 May 2013.	
Procurement done with service providers in employment of the state	R 45,252.00		

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<b>Irregular expenses disclosed in a Fraud investigation report :</b>		
Irregularities regarding temporary workers cash pay-outs. (Verveen F1)	R 124,849.00	Reported to Council. 'In respect of the Verveen report dated 11 March 2011, the Municipal Manager, Chief Financial Officer and Corporate Services Manager were suspended and eventually discharge with a severance package. Charges were laid against other officials and it was reported to the Auditor-general. council awaits HAWKS investigative report.
Irregular appointment of Corporate Services Manager (Verveen F2)	R 540,000.00	
Irregular appointment of an attorney (Verveen F3)	R 313,404.00	
Irregular award of tenders to employees (Verveen F4)	R 95,330.00	
Irregular appointment of Electricians (Verveen F6)	R 356,000.00	
Irregular award of tender for the supply of protective clothing (Verveen F7)	R 188,523.00	
Irregular award of tender to supply refuse bins (Verveen F8)	R 405,000.00	
Irregular award of tender to erect a palisade fence (Verveen F9)	R 372,296.00	
Irregular appointment of Chief Financial Officer (Verveen F11)	R 578,000.00	
Irregular appointment of Electrician and Intern wrt nepotism (Verveen F13)	R 265,000.00	
Irregular award of tenders-various uninvestigated cases (Verveen F14)	R 4,446,588.00	
	<b>R16,664,007.00</b>	
<b>2011/12</b>		
<b>Procurement in prior years affected current expenses :</b>		
Tender documents for the appointment of service providers prior to 2010/11 could not be provided. Payments to these service providers in the current year amount to:	R 4,098,343.00	Deviations had been investigated by MPAC with resolutions to be executed by management. The report and council resolution has to be reported to National Treasury in terms of Circular 68, dated 10 May 2013.
<b>Procurement done not in terms of SCM regulations :</b>		
Not invited competitive bids and non submission of declarations of employment status.	R 831,489.00	Deviations had been investigated by MPAC with resolutions to be executed by management. The report and council resolution has to be reported to National Treasury in terms of Circular 68, dated 10 May 2013.
<b>Expenses incurred deviated from policy and legislation :</b>		
Overtime paid not using the correct formula (Only projected error not the whole population)	R 141,422.00	Deviations had been investigated by MPAC with resolutions to be executed by management. The report and council resolution has to be reported to National Treasury in terms of Circular 68, dated 10 May 2013.
Councillors salaries incorrectly calculated	R (129,130.00)	Transferred to receivables. Full amount recovered from councillors
	<b>R 4,942,124.00</b>	
<b>2012/13</b>		
Deviations from Supply Chain Regulations	R 3,169,225.00	Deviations had been investigated by MPAC with resolutions to be executed by management. The report and council resolution has to be reported to National Treasury in terms of Circular 68, dated 10 May 2013.
	<b>R 3,169,225.00</b>	
<b>2014/15</b>		
Service providers did not declare interest	R 689,079.00	Reported to council. MPAC investigating
Officials acted in positions for more than 4 months	R 94,382.00	
	<b>R 783,461.00</b>	
<b>TOTAL IRREGULAR EXPENSES</b>	<b>R25,458,817.00</b>	

Note : "Verveen F..", refers to findings in terms of an investigation done by Verveen Attorneys regarding to fraudulent activities discovered in 2010.

**46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**46.1 Audit fees**

Opening balance	248,836	650,693
Current year audit fee	1,703,682	1,854,818
Amount paid - current year	(792,124)	(2,256,675)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>911,558</b>	<b>248,836</b>

An amount of R 911,558.00 in respect of audit fees were outstanding as at 30 June 2013

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	2016 R	Restated 2015 R
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**46.2 VAT**

VAT input receivables and VAT output payables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

**46.3 PAYE,SDL and UIF**

Opening balance	-	-
Current year payroll deductions	4,746,148	6,002,978
Amount paid - current year	(4,746,148)	(6,002,978)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

There were no payments outstanding as at 30 June

**46.4 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	9,106,161	12,856,074
Amount paid - current year	(9,106,161)	(12,856,074)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

There were no payments outstanding as at 30 June

**46.5 Councilor's arrear consumer accounts**

The following councilors had arrear accounts outstanding for more than 90 days as at :

**30 June 2016**

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M.O Lamola	849	747	1,596
M.R. Kekana	3720	22,588	26,308

**30 June 2015**

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M.R. Kekana	9,340	37,812	47,152

**46.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

None

**47 CAPITAL COMMITMENTS**

**Commitments towards capital expenditure**

- Approved and contracted for	12,986,475	19,840,478
* Infrastructure	12,986,475	19,840,478
* Community	-	-
* Heritage	-	-
* Other	-	-

**Commitments towards operational expenditure**

- Approved and contracted for	10,663,926	20,671,327
* Short term insurance	-	343,800
* Security services	1,072,555	4,274,981
* Project Management	-	730,728
* Financial Services	3,426,982	9,598,708
* Vehicle Maintenance	6,164,389	5,723,110

<b>Total Commitments</b>	<u>23,650,401</u>	<u>40,511,805</u>
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	2016 R	Restated 2015 R
<b>The Commitments will be financed from:</b>		
- External Loans	-	-
- Government Grants	12,986,475	19,840,478
- Own resources	10,663,926	20,671,327
- District Council Grants	-	-
	<u>23,650,401</u>	<u>40,511,805</u>
<b>As at 30 June the following commitments existed :</b>		
Triotic Protection Services		: Security services contract for a period of 3 years.
KTS General Traders		: Sewer outfall, reticulation and yard connection for the duration of the project.
Bakgalaka Holdings		: Storm water and Paving Project for the duration of the project.
Lutavha Trading JV Tshumisano Trading		: Maintenance part of Vehicle lease for 36 months
Omphile Electrical		: Installation of high mast lights as per duration of project.
Akhile Management and Consulting (Pty) Ltd		: Assistance with financial year-end procedures for a period of two years.
<b>48 CONTINGENT LIABILITY</b>		
<b>48.1 MJ Mokonyane vs Mookgophong Local Municipality</b>		
Unfair dismissal disputed by accused on both substantive and procedural fairness. Awaiting an award by SALGBC	<u>30,250</u>	<u>-</u>
<b>48.2 SF Nkwana vs SVJ Maphondo and others</b>		
Unfair dismissal disputed by accused on both substantive and procedural fairness. Awaiting an award by SALGBC	<u>20,820</u>	<u>-</u>
<b>48.3 Mafuleka vs Mookgophong Local Municipality</b>		
Unfair dismissal claim against the Municipality. The outcome of the case is awaited.	<u>-</u>	<u>200,000</u>
<b>48.4 SAMWU vs Mookgophong Local Municipality</b>		
Unfair labour practice in respect of appointments.	<u>420,000</u>	<u>420,000</u>
<b>48.5 George Gerbet Jackson vs Mookgophong Local Municipality</b>		
Claim against the Municipality for injuries on municipal premises.	<u>-</u>	<u>150,000</u>
<b>48.6 Shirelo David Chauke vs Mookgophong Local Municipality</b>		
Municipal official involved in an accident. Claimant instituted against the Municipality	<u>320,000</u>	<u>320,000</u>
<b>48.7 XW Ngobeni vs Mookgophong Local Municipality</b>		
Former employee is claiming alleged short payment on salary while in employment.	<u>-</u>	<u>500,000</u>
<b>48.8 Vosloo vs Mookgophong Local Municipality</b>		
Spoilation order against the Municipality	<u>170,000</u>	<u>170,000</u>
<b>48.9 NC Mahlaela vs Mookgophong Local Municipality</b>		
Disciplinary process against the employee	<u>-</u>	<u>200,000</u>
<b>48.10 Mashishi and other vs Mookgophong Local Municipality</b>		
Restraint order	<u>-</u>	<u>300,000</u>
<b>48.11 Afiriforum vs Mookgophong Local Municipality</b>		
The AfriForum took to task the Municipality on allegations of failure to provide clean running water to the community of Mookgophong. To this extent, the Municipality's legal team (Moloto Attorneys) advised that council settles the matter and finds a way to resolve its water problems.	<u>120,000</u>	<u>-</u>
<b>48.12 H Fouche vs Mookgophong Local Municipality</b>		
The applicant approached the NGHC for an order compelling the respondent to pay monies accrued to the applicant due to the respondent's failure to provide electricity to the applicant which failure led to the applicant suffering loss of business.	<u>750,000</u>	<u>-</u>

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	2016 R	Restated 2015 R
<b>48.13 Euphoria Home Owners Association vs Mookgophong Local Municipality</b> The applicants approached the NGHC on an urgent basis for a rule nisi following the respondent's decision to terminate electricity supply to the applicant.	30,000	
<b>48.14 Balimi Barul Trading vs Mookgophong Local Municipality</b> The applicants lodged an application with the North Gauteng High Court demanding payments of outstanding short payments I.R.O a Service Level Agreement (SLA) for the Debt Collection Services and for eNatis Services in the Traffic Testing Station following the Municipality's decision to terminate all these services.	3,000,000	
<b>48.15 Menyatso Trading vs Mookgophong Local Municipality</b> This High Court application was brought in light of outstanding short payments I.R.O payments relating to water tankering services.	850,000	
<b>48.16 Silas Radebe Trading vs Mookgophong Local Municipality and LM Shiuri</b> Vehicle accident between municipal driver and third party. Claiming loss of income.	244,000	
<b>48.17 Solomon Nkiwe Ranamane/ Modikeng Paul Ranamane vs Mookgophong Local Municipality</b> Claim for professional work on job evaluations and compilation of contracts.	596,000	
<b>49 CONTINGENT ASSET</b>		
<b>49.1 JF de Beer vs Mookgophong Municipality</b> Court ruled in favor of municipality, with cost to be paid by the applicant after taxation took place. The anticipated amount is :	556,000	556,000
<b>50 DISCLOSURE OF DEVIATIONS IN TERMS OF SECTION 36(2) OF THE SUPPLY CHAIN REGULATIONS</b>		
Deviations in terms of Single Provider Procurement, sec 36 (1) (a) (ii)	1,589,859	3,719,821
Deviations as a result of Emergency Procurement, sec 36 (1) (b)	2,532,123	1,856,680
Deviations in minor breaches of procurement, sec 36 (1) (b)	7,300	15,000
	<u>4,129,282</u>	<u>5,591,501</u>
The above deviations were reported to and been approved by Council		
<b>51 DISTRIBUTION LOSSES</b>		
Electricity	8,190,907	7,124,992
Water	876,854	954,196
	<u>9,067,761</u>	<u>8,079,188</u>
<b>52 RELATED PARTIES</b>		
The compensation of key management personnel is disclosed in note 29 to the annual financial statements.		
<b>53 EVENTS AFTER THE REPORTING DATE</b>		
<i>The amalgamation of the Mookgophong- and Modimolle Local Municipality came into effect on 10 August 2016 on the date of the release of the Local Government election results. The new Municipality's name will be temporary known as LIM 368. This event will lead to significant changes in the statement of financial position in future.</i>		
<b>54 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS</b>		
The following areas involve a significant degree of estimation uncertainty:		
- Useful lives and residual values of property, plant, and equipment		
- Recoverable amounts of property, plant and equipment		
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)		
- Present value of defined benefit obligation		
- Fair value of plan assets		
- Provision for doubtful debts		
- Impairment of assets		
- Provision for long-term service award		

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	<b>2016</b>	<b>Restated 2015</b>
	<b>R</b>	<b>R</b>

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions

**55 RISK MANAGEMENT**

**55.1 Credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise of a widespread consumer and tax-payer base. Management evaluates credit risk relating to customers on an ongoing basis. Customers are independently rated, based on their average consumption per month. The credit quality of the consumer or tax-payer is also assessed, taking into account its financial position, past experience and other factors (when available).

Risk limits are annually reviewed by the council in a form of deposits payable or bank guarantees, before opening a municipal account. Once a consumer is in default, the amount of deposit payable is adjusted to the average of three months consumption. Assessment rates are collectable in terms of the Municipal Property Rates Act 2004, Act 6 of 2004. Municipal accounts in arrear are subject to the charge of interest equals a percentage of the capital amount in arrear as determined by council.

Municipal accounts are mainly settled in cash received at the different pay points or direct banking methods. Credit risk is further limited to a regular updating of the Indigent consumer database. These category of consumers are benefiting from zero to low charges of consumption and assessment rates rebates and are financed through the Equitable Share subsidy received from National Government.

**55.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**55.3 Interest rate risk**

As the municipality has no significant interest-bearing assets and liabilities, the municipality's income, expenses and operating cash flows are substantially independent of changes in market interest rates.

**56 RESTATEMENT OF COMPARATIVE INFORMATION**

The opening balances in the set of financial statements that had been presented for audit purposes as at 30 June 2016 differs from the closing balances as presented on the set of financial statements as at 30 June 2015.

Errors and re-statements identified had also been corrected as indicated in note 43 above.

**57 GOING CONCERN**

We draw attention to the fact that at 30 June 2016, the municipality recorded a total of R68,919,062 exceeding current liabilities over current assets. Current Liabilities increased by R 42,421,045 from the previous year. The overall collection rate for the financial year is recorded at 79.7% resulted in an increase in outstanding consumer debtors with R19,294,885.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The Mookgophong Local Municipality will in the coming financial period merge with the current Modimolle Local Municipality to form one municipality. In the next financial year the municipality will also be implementing Municipal Standard Chart of Accounts.

MOCKGPHONG LOCAL MUNICIPALITY  
APPENDIX A  
ANALYSIS OF IMMOVABLE PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2016

	Opening Balance Excl. WIP	Correction of Error	WIP Release	COST			Disposals / Transfers	Closing Balance	WORK IN PROGRESS		Opening Balance	Correction of Error	DEPRECIATION AND IMPAIRMENTS			Disposals / Transfers	Impairment / Revaluations	Closing Balance	Carrying Value
				Market Value Adjustments	Additions	Write-offs			Remaining Capital WIP Previous Period	New Capital WIP 2016			Additions	Write-offs					
<b>LAND</b>																			
Infrastructure Land	77,259,456	-	-	-	-	-	-	77,259,456	-	-	-	-	-	-	-	-	-	-	77,259,456
Community Land	15,862,916	-	-	-	43,000	-	(600,361)	15,225,554	-	-	-	-	-	-	-	-	-	-	15,225,554
Other Land	2,509,422	-	-	-	-	-	-	2,509,422	-	-	-	-	-	-	-	-	-	-	2,509,422
<b>Total</b>	<b>95,631,794</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,000</b>	<b>-</b>	<b>(600,361)</b>	<b>94,994,432</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,994,432</b>
<b>INFRASTRUCTURE</b>																			
Electricity	58,977,971	-	1,401,148	-	704,782	-	(6,486)	61,077,405	13,653,204	2,723,923	21,593,248	-	-	1,829,874	-	(5,416)	104	23,417,809	37,659,595
Roads	131,440,891	-	-	-	-	-	-	131,440,891	62,806,754	-	62,806,754	-	-	4,665,355	-	-	-	67,504,109	63,938,782
Water	43,520,025	-	23,292,970	-	65,337	-	(152,827)	66,725,508	15,141,292	-	15,141,292	-	-	1,431,387	-	(152,544)	-	16,420,115	50,305,390
Sewerage	46,840,923	-	-	-	-	-	-	46,840,923	8,298,958	7,397,155	7,118,157	-	-	712,711	-	15,588	-	7,846,455	38,994,468
Storm water	26,583,216	-	846,168	-	-	-	-	27,441,383	4,767,774	-	4,767,774	-	-	771,796	-	-	-	5,539,569	21,901,813
Capital Spares	460,624	-	-	-	-	-	38,958	497,582	-	-	-	-	-	-	-	-	-	-	497,582
<b>Total</b>	<b>307,895,952</b>	<b>-</b>	<b>25,540,285</b>	<b>-</b>	<b>770,119</b>	<b>-</b>	<b>(122,366)</b>	<b>334,023,999</b>	<b>19,940,162</b>	<b>10,121,078</b>	<b>111,429,226</b>	<b>-</b>	<b>-</b>	<b>9,441,103</b>	<b>-</b>	<b>(187,960)</b>	<b>15,690</b>	<b>120,726,038</b>	<b>213,295,831</b>
<b>HERITAGE ASSETS</b>																			
Heritage Assets	60,821	-	-	-	-	-	-	60,821	-	-	-	-	-	-	-	-	-	-	60,821
<b>Total</b>	<b>60,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,821</b>
<b>INTANGIBLE ASSETS</b>																			
Service fees	-	144,845	-	-	-	-	-	144,845	-	-	-	-	-	-	-	-	-	-	144,845
Computer Software	-	144,845	-	-	-	-	-	144,845	-	-	-	-	-	-	-	-	-	-	144,845
<b>Total</b>	<b>-</b>	<b>144,845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144,845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144,845</b>
<b>INVESTMENT PROPERTY</b>																			
Improved Property	2,900,000	613,000	-	1,017,000	-	-	-	4,530,000	-	-	-	-	-	-	-	-	-	-	4,530,000
Unimproved Property	4,937,000	74,200	-	1,151,500	-	-	-	6,162,700	-	-	-	-	-	-	-	-	-	-	6,162,700
<b>Total</b>	<b>7,837,000</b>	<b>687,200</b>	<b>-</b>	<b>2,168,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,712,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,712,700</b>
<b>COMMUNITY ASSETS</b>																			
Cemeteries	4,158,184	-	-	-	-	-	(38,401)	4,117,783	-	-	2,185,356	-	-	141,244	-	(37,838)	518	2,286,280	1,828,503
Clinics	328,503	-	-	-	-	-	-	328,503	192,089	-	192,089	-	-	15,882	-	-	-	207,952	120,854
Care Centres	8,866,451	-	-	-	-	-	-	8,866,451	2,838,458	-	2,838,458	-	-	318,557	-	-	-	3,157,014	5,508,437
Halls	2,586,775	-	-	-	3,720	-	(840,069)	1,709,428	1,293,782	-	1,293,782	-	-	84,975	-	(322,554)	9,877	1,066,080	843,345
Landfill Sites	8,808,016	-	-	-	739,308	-	-	9,547,325	1,227,705	-	1,227,705	-	-	106,293	-	-	-	1,333,998	8,311,328
Libraries	1,021,394	-	-	-	-	-	-	1,021,394	370,217	-	370,217	-	-	43,097	-	-	-	413,284	608,310
Markets / Stalls	3,762,857	-	-	-	-	-	(254,721)	3,508,136	-	-	1,281,315	-	-	150,686	-	(85,278)	-	1,346,735	2,161,500
Parks	4,741,376	-	-	-	-	-	(14,660)	4,726,696	-	-	1,988,740	-	-	219,827	-	(14,727)	-	2,193,840	2,532,858
Public abatement facilities	1,313,333	-	-	-	-	-	-	1,313,333	-	-	23,129	-	-	48,786	-	-	-	24,901	16,480
Taxi ranks	41,381	-	-	-	-	-	-	41,381	-	-	519,931	-	-	1,772	-	-	-	569,387	743,848
Spot and recreational	13,362,318	-	-	-	-	-	-	13,362,318	-	-	4,140,345	-	-	552,161	-	-	-	4,694,333	8,087,986
<b>Total</b>	<b>48,886,373</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>743,029</b>	<b>-</b>	<b>(1,108,071)</b>	<b>48,447,331</b>	<b>-</b>	<b>-</b>	<b>16,060,787</b>	<b>-</b>	<b>-</b>	<b>1,694,782</b>	<b>-</b>	<b>(460,396)</b>	<b>17,223</b>	<b>17,296,806</b>	<b>37,144,635</b>
<b>OTHER IMMOVABLE ASSETS</b>																			
Housing	7,762,312	-	-	-	-	-	-	7,762,312	-	-	5,736,888	-	-	281,585	-	-	91,133	6,108,596	1,672,728
Operational buildings	10,171,265	-	-	60,382	-	(3,720)	(3,720)	10,227,926	-	-	6,108,979	-	-	389,185	-	(79)	-	6,498,095	3,731,840
<b>Total</b>	<b>17,933,576</b>	<b>-</b>	<b>-</b>	<b>60,382</b>	<b>-</b>	<b>(3,720)</b>	<b>(3,720)</b>	<b>18,010,238</b>	<b>-</b>	<b>-</b>	<b>11,843,868</b>	<b>-</b>	<b>-</b>	<b>670,760</b>	<b>-</b>	<b>(79)</b>	<b>91,133</b>	<b>12,905,672</b>	<b>6,404,668</b>
<b>Grant Total</b>	<b>478,225,416</b>	<b>832,045</b>	<b>25,540,285</b>	<b>2,168,500</b>	<b>1,616,529</b>	<b>-</b>	<b>(1,994,518)</b>	<b>506,368,258</b>	<b>19,940,162</b>	<b>10,121,078</b>	<b>139,333,890</b>	<b>-</b>	<b>-</b>	<b>11,796,045</b>	<b>-</b>	<b>(618,435)</b>	<b>119,047</b>	<b>160,330,537</b>	<b>356,757,720</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF IMMOVABLE PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2016

es at 30 June 2016

	COST						WORK IN PROGRESS			DEPRECIATION AND IMPAIRMENTS					Carrying Value	
	Opening Balance Excl. WIP	Correction of Error	WIP Release	Market Value Adjustments	Additions	Disposals / Transfers	Closing Balance	Remaining Capital WIP Previous	New WIP 2016	Opening Balance	Additions	Disposals / Transfers	Impairment / Revaluation	Closing Balance	Value	
TECHNICAL SERVICES	307,835,852	-	25,540,285	-	770,119	(122,366)	334,023,869	19,940,162	10,121,078	111,429,225	9,441,103	(157,960)	15,690	120,726,058	213,285,831	
SOCIAL & COMMUNITY SERVICES	48,886,373	144,845	-	-	743,029	(1,188,071)	48,586,176	-	-	16,060,787	1,694,192	(460,396)	12,223	17,296,608	31,289,370	
CORPORATE SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
EXECUTIVE & COUNCIL	18,028,265	687,200	-	2,168,500	60,382	(3,720)	20,940,626	-	-	6,106,979	388,185	(79)	-	6,496,088	14,444,540	
PLANNING & DEVELOPMENT	103,474,926	-	-	-	43,000	(680,361)	102,837,565	-	-	5,736,888	281,565	-	91,133	6,109,586	96,727,978	
										11,843,863	670,750	(79)	91,133	12,605,672	111,172,519	
Grant Total	478,225,416	832,045	25,540,285	2,168,500	1,816,529	(1,994,518)	506,353,255	19,940,162	10,121,078	151,177,747	12,486,796	(618,614)	210,180	163,235,209	466,930,238	